

Message Text

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E.O. 11652: XGDS-2

AGS: EG, IS, PINR

SUBJECT: INTSUM 313 - MAY 10, L977

1. SYRIA. PRESIDENT ASAD APPEARS TO BE USING HIS RECENT HIGH-LEVEL MEETINGS WITH US AND SOVIET OFFICIALS TO INCREASE HIS PRESTIGE AT HOME AND THEREBY TO COUNTER ENDEMIC ANTI-REGIME PLOTTING. ALTHOUGH THE MIDDLE EAST QUESTION IS OF GREAT CONCERN TO ASAD, EMBASSY DAMASCUS NOTES THAT HE ALSO APPEARS WORRIED ABOUT HIS SERIOUS ECONOMIC PROBLEMS.

2. THE ECONOMY IS RESILIENT, BUT IT FACES A HIGH RATE OF INFLATION AND A SHORTAGE OF FOREIGN EXCHANGE. EMBASSY DAMASCUS REPORTS THAT WESTERN-ORIENTED TECHNOCRATS ARE PREPARING TO IMPLEMENT MEASURES TO DISCIPLINE THE ECONOMY. PRIME MINISTER KHULAYFAWI REPORTEDLY IS BECOMING CONVINCED OF THE NECESSITY TO PAY THE POLITICAL COST IN TERMS OF POPULAR DISSATISFACTION AND RAISE THE PRICES OF STAPLES, INCREASE TAXES, AND REDUCE SUBSIDIES ON SUCH ITEMS AS GASOLINE AND CONSTRUCTION MATERIALS.

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3. ECONOMIC PROBLEMS HAVE EXACERBATED CHRONIC TRIBAL AND SECTARIAN STRAINS WITH SYRIAN SOCIETY. UNREST WITHIN THE ALAWITE COMMUNITY MAY ALREADY BE ON THE RISE. IN THE VIEW OF EMBASSY DAMASCUS, UNLESS ASAD SOLVES THESE PROBLEMS, THE STABILITY OF HIS REGIME COULD BE ADVERSELY AFFECTED,

THUS LIMITING HIS ABILITY TO PLAY AN ACTIVE ROLE IN

THE PEACE PROCESS.

4. THE SYRIANS, ACCORDING TO THE EMBASSY, BELIEVE THAT OUTSIDE ASSISTANCE IS NEEDED TO DEAL WITH THE DETERIORATING ECONOMIC SITUATION. THEY PROFESS IGNORANCE ABOUT WHY SAUDI ARABIA IS NOT MORE GENEROUS IN HELPING DAMASCUS RELIEVE SOME OF THE ECONOMIC PROBLEMS BEFORE THEY BECOME POLITICALLY DESTABILIZING. (SECRET)

5. EGYPT. NOT ONLY ASAD HAS DOMESTIC PROBLEMS. SINCE THE JANUARY RIOTS IN EGYPT SADAT APPEARS TO BE ATTEMPTING TO ADDRESS SOME OF THE CAUSES OF ANTI-REGIME ACTIVITY. IN THIS VEIN, EMBASSY CAIRO REPORTS THAT SADAT, IN WHAT MAY BE AN EFFORT TO MEET CRITICISM THAT HE LACKS A POLITICAL PHILOSOPHY, RECENTLY ELABORATED HIS VISION OF "DEMOCRATIC SOCIALISM" BEFORE A UNIVERSITY AUDIENCE IN ALEXANDRIA. HE NOTED THAT PREVIOUS POLITICAL-ECONOMIC EXPERIMENTS WITH CAPITALISM AND SOCIALISM HAD FAILED. AS A RESULT, HE IS NOW SEEKING A NEW APPROACH BASED ON A "STATE OF INSTITUTIONS," INCLUDING THE EXECUTIVE, THE LEGISLATIVE, THE JUDICIARY, UNIVERSITIES, FACTORIES, PRESS, AND PROFESSIONAL SOCIETIES. SADAT NOTED HOWEVER, THAT THE SUCCESS OF THE EXPERIMENT REQUIRES THAT EACH INSTITUTION AND INDIVIDUAL EXERCISE SELF-DISCIPLINE AND FACE UP TO RESPONSIBILITY.

6. IN A MORE PRAGMATIC MOVE, SADAT HAS LAUNCHED HIS "ADMINISTRATIVE REVOLUTION" DESIGNED TO IMPROVE THE EFFICIENCY OF THE EGYPTIAN BUREAUCRACY. ALL STATE AGENCIES
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HAVE BEEN ORDERED IMMEDIATELY TO DEVELOP NEW MEASURES TO CUT RED TAPE AND FACILITATE DEALINGS WITH THE PUBLIC. PRIME MINISTER SALIM RECENTLY PROMISED THAT SPECIAL ATTENTION WOULD BE PAID IN THE ECONOMIC AND FINANCIAL SECTORS. HE ALSO SAID THAT THE GOVERNMENT IS DETERMINED TO FACILITATE THE CONSTRUCTION OF ADEQUATE WATER AND SEWAGE SYSTEMS AND OF THREE NEW SATELLITE CITIES. EMBASSY CAIRO COMMENTS THAT THE EGYPTIAN GOVERNMENT APPEARS TO BE TAKING THE REFORM EFFORT SERIOUSLY. REFORM WILL BE PARTICULARLY HARD TO ACCOMPLISH IN EGYPT. (CONFIDENTIAL)

7. ISRAEL. PERES' STATEMENT AT SUNDAY'S CABINET MEETING -- SUMMARIZED IN A CABINET COMMUNIQUE AFTERWARDS -- DEALT IN PART WITH SECRETARY VANCE'S REMARK AT LAST WEEK'S PRESS CONFERENCE THAT THE US IS PUTTING ITSELF IN A POSITION TO MAKE "SUGGESTIONS" ON THE SUBSTANCE OF AN ARAB-ISRAELI PEACE. THIS LATEST PERES STATEMENT DIFFERS IN TONE AND EMPHASIS FROM HIS INITIAL RESPONSE ON MAY 5 WHEN HE STATED THAT HE "WELCOMED THE INTENTION OF THE US

TO OFFER PROPOSALS WHICH WOULD CONTRIBUTE TO A SOLUTION."

8. IN HIS SUNDAY STATEMENT, PERES:

--ADVISED THE US TO EXTEND ITS GOOD OFFICES TO THE PARTIES BUT NOT TO OFFER A PLAN OF ITS OWN;

--STATED THAT ANY TIME THE US HAD PROPOSED A PLAN OF ITS OWN, IT HAD ENTERED INTO A CONFRONTATION WITH ONE SIDE, OR BOTH;

--DECLARED THAT ISRAEL REJECTS EVERY ATTEMPT TO IMPOSE A SETTLEMENT ON ISRAEL, SINCE ANY IMPOSITION WOULD INEVITABLY BE AT ISRAEL'S EXPENSE;

--REFUSED TO DRAW MAPS EXCEPT IN THE COURSE OF PRACTICAL SECRET

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NEGOTIATIONS FOR A GENUINE COMPREHENSIVE PEACE.

9. HIS MAY 5 STATEMENT HAD AROUSED CONSIDERABLE PROTEST IN THE ISRAELI MEDIA, AND SUNDAY'S CABINET STATEMENT IS IN PART A RETREAT UNDER PRESSURE. ON ONE LEVEL, PERES' REACTIONS ARE MOTIVATED BY ELECTORAL CONSIDERATIONS-- TO MAINTAIN, ON THE ONE HAND, LABOR'S CONTENTION THAT US-ISRAELI RELATIONS REMAIN TOLERABLY GOOD, AND, ON THE OTHER, TO DEMONSTRATE THE PARTY'S DETERMINATION TO DEFEND ISRAELI INTERESTS IN THE FACE OF US PRESSURE. ON ANOTHER LEVEL, PERES APPEARS TO BE FORMULATING A STRATEGY OF DEALING WITH ANTICIPATED US PRESSURE BY SHOWING FLEXIBILITY ON THE SURFACE. IN THIS WAY, PERES PROBABLY EXPECTS THAT THE ONUS FOR INTRANSIGENCE WILL FALL ON THE ARABS.

10. ON ANOTHER SUBJECT, PRESS ACCOUNTS THAT ISRAEL WOULD BE EXCLUDED FROM THE PROPOSED US LIST OF NATIONS FAVORED TO RECEIVE US ARMS AND TECHNOLOGY HAVE BEEN SEIZED UPON BY THE ISRAELIS AS ANOTHER INDICATION THAT THEIR "SPECIAL RELATIONSHIP" WITH THE US IS IN DANGER OF DETERIORATING. THE ISRAELI PRESS HAS GIVEN THE ISSUE FRONT-PAGE TREATMENT AND UNANIMOUSLY DECRIED THE PROPOSED EXCLUSION. THE MATTER WAS ALSO ADDRESSED AT SUNDAY'S CABINET MEETING, AND THE POST-CABINET COMMUNIQUE EXPRESSED ISRAEL'S "DEEP CONCERN," STRESSING THAT "SOOTHING STATEMENTS" BY LEADERS TO CLARIFY THE MATTER WOULD NOT BE ENOUGH.

11. FOREIGN MINISTER ALLON WILL RAISE THE ISSUE WITH THE SECRETARY AT THEIR MEETING ON WEDNESDAY, ACCORDING TO THE COMMUNIQUE. HAARETZ SPECULATED THAT ALLON WILL

ARGUE THAT ISRAEL'S EXCLUSION WOULD IMPEDE PROSPECTS FOR
ACHIEVING A MIDEAST SETTLEMENT, BECAUSE THE "FIRST

PREREQUISITE" FOR PEACE IS "PROVIDING ISRAEL WITH THE
MEANS TO DEFEND ITSELF AND GUARANTEE ITS SURVIVAL."

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12. IT SHOULD BE NOTED IN THIS REGARD THAT THERE IS
CURRENTLY BEING CONSIDERED IN THE SENATE FOREIGN RELATIONS
COMMITTEE A HUMPHREY-CASE AMENDMENT TO THE 1978 INTER-
NATIONAL SECURITY ASSISTANCE ACT WHICH WOULD, IN EFFECT,
LEGISLATE A PREFERRED ISRAELI POSITION IN THE TRANSFER
OF TECHNOLOGY AND CO-PRODUCTION ON THE ARMS FIELD.
AMBASSADOR DINITZ HAS BEEN ACTIVELY LOBBYING WITH THE
COMMITTEE ON BEHALF OF THIS PROPOSAL. AT THE SAME TIME,
DINITZ IS REPORTEDLY EXPLAINING TO MEMBERS OF THE
COMMITTEE ISRAEL'S POSITION ON MIDEAST ISSUES, ALONG THE
LINES OF PERES' MAY 8 STATEMENT.

13. ON THE ELECTION FRONT, EMBASSY TEL AVIV REPORTS
THAT LIKUD LEADER BEGIN TOLD EMBASSY OFFICERS THAT LIKUD
WOULD NOT OFFER YADIN THE PREMIERSHIP IN ORDER TO
FACILITATE A GOVERNMENT COMPOSED OF LIKUD, YADIN'S PARTY
(DMC) AND THE NATIONAL RELIGIOUS PARTY (NRP). BEGI;
ALSO SAID THAT THERE WAS NO POSSIBILITY OF AN ALIGNMENT-
LIKUD COALITION, IN VIEW OF PERES' PROMISE TO MAPAM TO
AVOID THIS. BEGIN DID SAY THAT A GOVERNMENT OF NATIONAL
UNITY, INCLUDING THE LIKUD, WAS A POSSIBILITY, DEPEND-
ING UPON THE ELECTORAL RESULTS. IN OUR VIEW, WHILE
EITHER AN ALIGNMENT-DMC-NRP OR AN ALIGNMENT-DMC GOVERN-
MENT REMAINS THE MOST LIKELY PROSPECT, A NATIONAL UNITY
GOVERNMENT OR A LIKUD-DMC-NRP GOVERNMENT CANNOT BE RULED
OUT; AN ALIGNMENT-BASED COALITION WITH A NARROW KNESSET
MAJORITY MIGHT WANT TO INCLUDE THE LIKUD AT SOME LATER
DATE, ESPECIALLY IF THERE WERE A SIGNIFICANT DETERIORATION
OF US-ISRAELI RELATIONS.

14. A LEADING MEMBER OF THE DMC, DAVID GOLOMB, REMARKED
TO EMBASSY TEL AVIV THAT THE CALLING OF ISRAEL'S ELECTION
EARLIER THAN EXPECTED HAS HURT THE DMC. THUS FAR, HE
BELIEVES THE PARTY IS DOING WELL IN THE CITIES, BUT
THE LACK OF TIME TO ORGANIZE AT THE GRASS ROOTS LEVEL

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HAS HINDERED THE DMC IN RURAL AREAS. DMC LEADERS HAVE

UNDERTAKEN PARTICULARLY HEAVY SPEAKING SCHEDULES TO COMPENSATE FOR THIS.

15. ACCORDING TO GOLOMB, THE DMC HAS SEVEN CONDITIONS FOR PARTICIPATING IN A COALITION GOVERNMENT:

--REORGANIZATION OF THE GOVERNMENT;

--A PLANNED ECONOMIC POLICY TO REDRESS ISRAEL'S ECONOMIC PROBLEMS;

--DECISIVE ACTION IN LABOR RELATIONS;

--A SOCIAL POLICY TO EQUALIZE THE DISTRIBUTION OF WEALTH;

--RESTRICTIONS ON ACTIVITY BY ISRAEL'S PARTIES;

--DEFENSE AND FOREIGN POLICIES WHICH WILL NOT CONTRADICT THE DMC PLATFORM; AND

--ELECTORAL REFORM.

GOLOMB CHARACTERIZED THESE CONDITIONS AS NON-NEGOTIABLE AND ADDED THAT BOTH THE LABOR ALIGNMENT AND THE LIKUD WOULD HAVE DIFFICULTY ACCEPTING SOME OF THE POINTS.

16. THE GUSH EMUNIM PLANS TO OFFICIALLY DEDICATE ITS NEW SETTLEMENT AT MESHAI IN THE WEST BANK TODAY. IT WILL BE NAMED PEERIM ("BEAUTY" OR "GLORY;). A GUSH SPOKESMAN SAID THAT 500 GUSH MEMBERS ARE WAITING TO JOIN THE SETTLEMENT. IN A RELATED DEVELOPMENT, PERES SAID IN A SPEECH THAT THE UNAUTHORIZED QADUM SETTLEMENT NEAR NABLUS WAS TEMPORARY AND THAT THE SETTLERS WILL HAVE TO LEAVE SOONER OR LATER." (CONFIDENTIAL) CHRISTOPHER
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